GrummanWorld

Special Edition

December 16, 1988

A Letter From John O'Brien To Grumman People

Fellow Grummanites:

This year, Grumman people have had to make tremendous sacrifices. We started the year with a layoff; we asked people to do more with less; we cut resources. Grummanites responded with loyalty and dedication and enthusiasm. They did more with less, and we were able to make some real improvements.

But it hasn't been enough.

Yesterday at the board of directors meeting we presented our 1989 operating plan, and it was approved. It requires that we reduce operating costs even further. We're going to have to reduce our work force by 3,100 people in 1989. Of that number, we intend to lay off 1,800 by the end of January. Doing this quickly makes the most business sense; dragging it on is disruptive and ultimately unfair to the people involved. The rest of the reduction will be accomplished through attrition by the end of the year.

This layoff includes the cancellation of the A-6G development program, and assumes that the A-6 and the EA-6B will survive in the budget. If the A-6 and EA-6B are not included in the 1990 defense budget, more severe reductions will be necessary.

Our whole industry is facing flat or declining budgets. Our own aircraft programs continue to operate at low rates. In order to establish an acceptable level of cost for them, we have to reduce our overheads as well as the hours spent on the production floor.

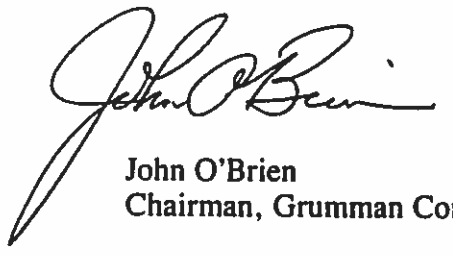
The layoff will affect people at every level and in many areas of our company. Overhead and management people will be hard hit, in addition to those working directly on programs. Within Grumman Allied, Grumman Olson will face some reductions as well.

In a related effort to reduce our costs, we are streamlining our organizational structure. As a first step, we are studying the consolidation of Aerostructures, St. Augustine, Grumman Houston and Aircraft Systems.

We are also tightly controlling bid and proposal activity and other discretionary costs.

We cannot accept volunteers for the reduction in force, and there will be no special early retirement program. We will select people based on our skills requirements, because we must maintain our skills base.

It is always difficult to take these measures, and it is especially painful at this time of year. However, I believe that people should get news that affects them as soon as it is available — even when it comes at a bad time. Grummanites who are laid off will receive severance pay, help with preparing a resume, and, wherever we can, help in finding a new job.



John O'Brien
Chairman, Grumman Corporation